

SOUTH CAROLINA MUSEUM COMMISSION
COLUMBIA, SOUTH CAROLINA
STATE AUDITOR'S REPORT
JUNE 30, 2016

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 31, 2017

Mr. William P. Calloway
South Carolina Museum Commission
Columbia, South Carolina 29201

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Museum Commission (the Commission), solely to assist you in evaluating the systems, processes and behaviors of the Commission for the fiscal year ended June 30, 2016. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 for the purpose of which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors of the Commission. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the Commission has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Clerical errors of less than \$1,000 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten percent or more of the transaction class inspected.
- Clerical errors of less than \$1,000 related to reporting packages.
- Errors in applying account coding definitions to accounting transactions unless it is determined that ten percent or more of the accounting transactions inspected were found to be in error.
- Reporting packages which are submitted less than three business days after the due date unless it is determined that more than two of the reporting packages were submitted late.

Mr. William P. Calloway
South Carolina Museum Commission
July 31, 2017

This report is intended solely for the information and use of the governing body and management of the Commission and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



George L. Kennedy, III, CPA
State Auditor

**South Carolina Office of the State Auditor
Agreed Upon Procedures Related to the South Carolina Museum Commission (H95)**

Cash Receipts/Revenues

1. Compare current year revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain and document an understanding of variations over \$125,000 and 10% for the Earmarked Fund.
2. Randomly select twenty-five cash receipts transactions and inspect supporting documentation to:
 - Agree transaction amount, date, payor, document number, and account coding to the general ledger.
 - Determine that revenues/receipts were deposited in a timely manner.
 - Ensure that both revenue collections and amounts charged are properly authorized by law.
3. Randomly select twenty-five cash receipts and inspect supporting documentation to determine that receipts are recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Cash Disbursements/Non-payroll Expenditures

4. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain and document an understanding of variations over \$50,000 and 10% for the General Fund and over \$80,000 and 10% for the Earmarked Fund.
5. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine:
 - Transaction is properly completed as required by agency procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by agency procedures and good business practice are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the agency, properly coded to the general ledger.
 - Disbursement complied with all State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
 - Clerical accuracy / verify proper sales/use tax.
6. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine that disbursements are recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Payroll

7. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain an understanding of variations over \$50,000 and 10% for the General Fund and over \$80,000 and 10% for the Earmarked Fund.

Payroll (Continued)

8. Randomly select fourteen employees and inspect supporting documentation during the fiscal year to:

For Salaried Employees:

- Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the agency.
- Agree gross pay to supporting documentation noting all changes to gross salary for the year. Determine that all changes have been properly approved.

For Hourly Employees:

- Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the agency.
- Confirm the hourly rate and time worked is properly approved; recalculate gross pay.

9. Randomly select five bonus pay disbursements to determine:
- Employee does not make more than \$100,000 annually.
 - Bonuses received during the year did not exceed \$3,000.
 - Transaction was appropriately documented and approved.
10. Randomly select five bonus pay disbursements authorized by the 2015-2016 Supplemental Appropriations to determine:
- Employee is a permanent state employee in a full-time equivalent position who has been in continuous state service for at least six months prior to July 1, 2015.
 - Employee does not make more than \$100,000 annually.
 - Bonus pay was split between funds according to the ratio of the employee's base salary.
11. Randomly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the agency's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
12. Randomly select five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the agency's policies and procedures, that the employee's last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
13. Compare the percentage change in personal service expenditures to the percentage change in employer contributions. Obtain an explanation of changes of +/- 10%.
14. Compute the percentage distribution of fringe benefit expenditures by fund source and compare to the actual distribution of recorded personal service expenditures by fund source. Obtain an explanation of changes of +/- 10%.

Payroll (Continued)

Finding:

General ledger account One Time Bonus included payments to twenty-four employees during FY16, each receiving \$800, which should have resulted in a total of \$19,200 being reported on the SCEIS trial balance. However, the One Time Bonus account was reported on the SCEIS trial balance at \$2,400, resulting in an understatement of \$16,800. In addition, general ledger account Bonus Pay was reported on the SCEIS trial balance as a negative \$5,518 when the total should have been \$3,635 based on bonuses paid to employees, resulting in an understatement of \$9,153.

Management's Response:

The agency moved funds at year end to close out the fiscal year resulting in accounts showing zero or negative balances. The agency will consult with the Comptroller General's Office on guidance to properly record year end journal entries.

Journal Entries and Transfers

15. Randomly select four non-recurring journal entries and one transfer for the fiscal year to:

- Trace postings to the general ledger, confirming amounts agree with supporting documentation.
- Confirm transaction is properly approved.
- Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of the procedures.

Appropriation Act

16. Complete the Appropriation Act work program provided to management noting areas of noncompliance, if any.
17. Confirm compliance with agency-specific state provisos by inquiring with management and observing supporting documentation.

We found no exceptions as a result of the procedures.

Reporting Packages

18. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General. Inspect the following reporting packages: Master Reporting Package, Inventory Reporting Package, Operating Leases Reporting Package, Capital Assets Reporting Package, and the Subsequent Events Reporting Package to:
- Determine if preparation was in accordance with Comptroller General Office requirements (<http://www.cg.sc.gov/guidanceandformsforstateagencies>).
 - Determine if amounts reported in the reporting packages agree with the supporting workpapers and accounting records.

Reporting Packages (Continued)

Finding:

During our inspection of the Operating Leases Reporting Package it was determined that the Commission included payments for leases on the Future Minimum Payments Schedule that should not have been included on this form. These payments should have been reported as Other Adjustments in Part 1 of Form 3.09. As a result, the total current expense on the Operating Leases Future Minimum Payment Schedule was overstated by \$3,912 and Other Adjustments was understated by \$3,912. This is a repeat finding.

Management's Response:

The agency will strengthen its procedures and internal controls to ensure reporting packages are prepared and completed in accordance with the Comptroller General's Policies and Procedures Manual.

Composite Reservoir Accounts

19. Obtain a listing of agency composite reservoir accounts from agency management and confirm that the list is complete.
20. Obtain the fiscal year monthly reconciliation for June 30, 2016 and perform the following procedure:
 - Determine the selected reconciliations were timely performed and properly documented in accordance with State regulations, and are mathematically correct.

We found no exceptions as a result of the procedures.

Status of Prior Finding

21. Inquire about the status of the finding reported in the Accountant's Comments section of the engagement for the prior fiscal year to determine if the agency has taken appropriate corrective action.

We found no exceptions as a result of the procedures, except for the operating leases reporting package noted above.

Minutes

22. We will inspect the Commission's approved minutes beginning with the end date of prior year fieldwork through the end of our fieldwork.

We found no other matters related to our agreed-upon procedures.